GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:80
ANSWERED ON:04.03.2005
RATE OF INTEREST ON LOAN TO FARMERS
Adhalrao Patil Shri Shivaji;Singh Shri Sugrib

Will the Minister of FINANCE be pleased to state:

(a) whether the nationalized, co-operative banks and NABARD give loans to farmers on different rates of interest;

(b) if so,the reasons therefor;

(c) whether in the case of delay in repayments such bank charge different rates of penalty from the farmers;

(d) if so,the reasons for not having uniform policy of the Banks in this regard;

(e) whether NABARD propose to reduce the rate of interest on the loan to be given to farmers;

(f) if so, the details thereof; and

(g) the steps taken by the Government to bring transparency and uniform policy in this regard ?

Answer

FINANCE MINISTER (SHRI P.CHIDAMBARAM)

(a) to (g): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO1 PARTS (a), (b), (c), (d),(e),(f) and (g) OF LOK SABHA STARRED QUESTION NO. 80 TO BE ANSWERED ON 4 MARCH, 2005 REGARDING RATE OF INTEREST ON LOAN TO FARMERS TABLED BY SHRI ADHALRAO PATIL SHIVAJ1RAO AND SHRI SUGRIB SINGH.

(a) Yes, Sir. However, NABARD only provides refinance to the Banks.

(b) &(d): As the interest rates on loans given by Banks have been deregulated, they have been charging rates of interest keeping in mind their cost of funds, risk premium, cost of intermediation etc. However, the interest rate policy of the Reserve Bank of India provides that interest rates on loan upto Rs. 2 lakh by Commercial Banks should not exceed the Bench march Prime Lending Rate.

(c): Yes, Sir.

(e)&(f): Interest rates of NABARD on refinance have been reduced in November, 2003 and February, 2004. A chart indicating the detailed refinance interest rates of both short term and long term cfedit is given in Annex-I and Il respectively.

(g) The interest rate on loan given by Banks have been deregulated.Banks are thus free to lend at sub BPLR rates to creditworthy borrowers based on an objective and transparent policy, subject to the approval of their boards.